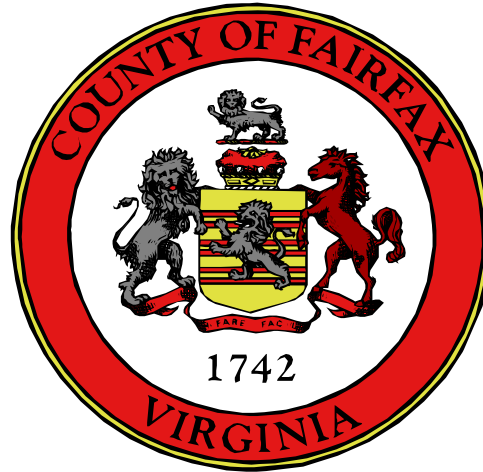


# **INTERNAL AUDIT REPORT**

## **PERFORMANCE MEASUREMENT SYSTEMS AUDIT**



*Fairfax County Internal Audit Office*

**FAIRFAX COUNTY, VIRGINIA  
INTERNAL AUDIT OFFICE  
M E M O R A N D U M**

**TO:** Robert J. O'Neill,  
County Executive

**DATE:** April 27, 1999

**FROM:** Ronald A. Coen, Director  
Internal Audit Office

**SUBJECT:** Report on the *“Performance Measurement Systems Audit”*

This is a report on the *“Performance Measurement Systems Audit”*. It was performed as part of our FY1999 Annual Audit Plan.

The findings and recommendations of this audit were discussed with the Department of Management and Budget. We have reached agreement on all of the recommendations and I will follow up periodically until implementation is complete. Their responses are incorporated into the report.

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## Introduction

Performance measurement has been recognized for a number of years as an important tool to help create a government that works better and costs less. In order to strengthen accountability and help monitor and improve the effectiveness of County services, the Department of Management and Budget (DMB), introduced in July 1997 a uniform County wide performance measurement process. A comprehensive system of performance measures is one way to monitor Fairfax County's performance. This process requires County departments to develop performance measures that reflect program or function outcomes in meeting service objectives. Fairfax County's earlier performance measurement efforts revealed that while our system compared very favorably to many jurisdictions, County department's indicators were predominantly outputs (84%). Some indicators and information showed how much was spent, how many staffs were used, how many clients were served, how many services were delivered. While this information is useful, it indicates little about program results. Over one-third of the indicators presented in the FY 1998 Adopted Budget Plan did not correlate with stated objectives. DMB realized that these kinds of indicators paint an incomplete picture of County efforts. As a result, the performance measurement system was enhanced to more systematically include indicators of output, efficiency, service quality, and outcome. Each Department must submit the prescribed performance measures to DMB for use in the FY 2000 Advertised Budget Plan.

Putting together an effective performance measures system takes time and patience. Development is an evolutionary and dynamic process. Each review of the system brings its own set of insights. Lessons learned become future improvements as departments strive to customize measures to meet their unique needs. The County's own performance measurement effort continues to evolve, with a number of initiatives underway. This report provides feedback and guidance to the Board of Supervisors and County Management to focus and strengthen the County's Performance Measurement System.

## Purpose and Scope

We scheduled this audit in our FY 99 Audit Plan to determine if the County's Performance Measurement System is being adequately developed and implemented by County departments. Our audit included a sample of 11 department/cost centers with diverse goals that encompass central services, public safety, health and welfare, public works, parks, and community development. (See Appendix 1 for departments included in review). We had two objectives:

1. Have Fairfax County Government departments established performance measures in accordance with Performance Measurement Team Department of Management and Budget guidelines?
2. Do Fairfax County Government departments have a data collection system in place designed to capture complete, accurate, and reliable information?

Our scope included performance information submitted for the FY 2000 Advertised Budget Plan. We reviewed completed Performance Measurement Worksheets for eleven cost centers in six program areas, and compared the measures to the criteria defined in the Performance Measurement Manual (July, 1998 Second Edition). We did not include steps to determine whether the right measures were chosen or whether explanatory information was adequate. We reviewed the data collection system in place at each cost center to determine if the system supported the performance measures reported. However, we did not certify the accuracy of specific performance data reported by each department.

## Executive Summary

The reliability of performance measurement reporting continues to improve.

- 1. Approximately 82 percent of the 226 performance measures reviewed for 11 County departments (Appendix 1) complied with County established performance measurement guidelines (Table 1). From our selected sample it appears that overall compliance with the guidelines is high.**

### Recommendation

The Department of Management and Budget should continue its guidance to departments on performance measurement fundamentals and specific County requirements. The annual review of departmental performance measurement worksheets should continue to be part of the budget analysts' review of departmental budgets.

- 2. All of the selected 11 department/cost centers had systems in place to capture and report departmental performance measurement data. However, it is our observation that most departments are not using the data to make operational decisions.**

### Recommendation

We recommend and that the County Executive invite department heads and senior managers to attend training on Performance Measurement as prescribed by the Department of Management and Budget.

## Comments and Recommendations

**1. Approximately 82 percent of the 226 performance measures reviewed for 11 County departments (Appendix 1) complied with County established performance measurement guidelines (Table 1). From our selected sample it appears that overall compliance with the guidelines is high.**

About 18 percent of the performance measures did not comply with Department of Management and Budget (DMB) guidelines. The only significant percent of non-compliance was in the area of service objectives. Based on the criteria established in the Performance Measurement Process, 58 percent of departmental objectives are not supported by one of every type of performance indicator.

Some service objectives are not supported by related outcome indicators (Table2). Service area objectives are outcome-based statements of specifically what will be accomplished within the budget year. A key outcome indicator should be identified that enables measurement of the extent to which a service objective has been achieved. Of the 11 cost centers audited, two had not associated all of their service objectives with outcome indicators.

### Recommendation

The Department of Management and Budget should continue its guidance to departments on performance measurement fundamentals and specific County requirements. The annual review of departmental performance measurement worksheets should continue to be part of the budget analysts' review of departmental budgets

**2. All of the selected 11 department/cost centers had systems in place to capture and report departmental performance measurement data. However, it is our observation that most departments are not using the data to make operational decisions.**

The success of performance measurement in the County will ultimately depend on how management uses the information to make operational decisions. Currently, it appears that most departments are merely complying with another budget reporting requirement and are not using the data to manage operations. Senior management dedication and support will be needed to integrate performance information into decision-making processes. A greater understanding and commitment by department heads and managers will help establish an effective program performance measurement system. An effective process will include performance information that is accurate, reliable, and consistent and at a minimum includes:

- Establishing written measure definitions, which include calculation methodologies and data collection and guideline compliance review procedures;
- Ensuring personnel are trained on specific data collection procedures associated with each measure; and
- Maintaining adequate documentation to support reported results.

While evaluating performance data systems we observed that it was a common view that this was just another budget reporting requirement. Training of department heads and senior managers is critical. Initial attempts to provide training to department heads and senior managers was not well attended.

**Recommendation**

We recommend that the County Executive invite department heads and senior managers to attend training on Performance Measurement as prescribed by the Department of Management and Budget.

**Agency Response**

*“After reviewing the Performance Measurement Systems Audit, I am pleased to inform you that the Department of Management and Budget, in association with the Performance Measurement (PM) Team, has plans underway to expand and continue guidance and training for agencies on PM fundamentals and specific County requirements. Additional training will be conducted throughout 1999 in conjunction with other initiatives such as a quarterly PM newsletter, bimonthly brownbag lunches and a continually updated Infoweb page. The annual review of departmental performance measurement worksheets will also continue to be part of budget analysts’ review of agency budget submissions. In addition, a class specifically tailored for department heads has been prepared and will be offered in the near future.”*

*“It should also be noted that, absent seeing the details on specific agencies’ measures, we are assuming that the guidelines contained in the PM manual, Fairfax County Measures Up, have been applied correctly in order to determine the compliance rates. I look forward to the Office of Internal Audit’s continued involvement in auditing agency performance measures as I believe it is critical to ensuring data integrity and reliability. Thank you for the opportunity to respond to the first audit report on performance measurement in Fairfax County.”*

**Table 1****PERFORMANCE MEASURE COMPLIANCE TABLE**

The accuracy of performance reporting for FY 2000 Advertised Budget Plan is summarized in the following table. The table shows the number of measures that were audited from our audit sample of 11 County department/cost centers. The reliability percentage equals total measures "In Compliance" with County guidelines divided by total measures audited.

All department/cost centers have a combined reliability rate of 82%

**Overview of Performance Measures at 11 Cost Centers**  
**Performance Measurement Indicator Compliance to County Guidelines**

<b>Measure/ Indicator</b>	<b>In Compliance</b>	<b>Non Compliance</b>	<b>Total Measures Audited</b>	<b>Reliability Percentage</b>
Goal	9	2	11	82%
Objectives	17	23	40	43%
Output	45	3	48	94%
Efficiency	35	1	36	97%
Service Quality	35	4	39	90%
Outcome	34	2	36	94%
Systems in Place to Capture Data	11		11	100%
Survey Results Not Footnoted		5	5	0%
Totals	186	40	226	82%
Percentage of Total Measures Audited	82%	18%		

**Non-Compliance Detail**

<b>County Guideline Compliance Issues</b>	<b>Number</b>
<b>Goal:</b>	
Not Associated With An Outcome Indicator	1
Customers Not Identified	<u>1</u>
Total	2
<b>Objectives:</b>	
Not Supported By The Four-Types of Indicators (Output, Efficiency, Service Quality & Outcome)	18
No Description of Future Target Level	4
No Benefits To Customers	<u>1</u>
Total	23
<b>Output:</b>	
Definition Should Be Outcome	3
<b>Efficiency:</b>	
Not Related to Objectives	1
<b>Quality:</b>	
No Service Quality Defined	4
<b>Outcome:</b>	
Not Related to Objectives	2

**Table 2**



## PERFORMANCE MEASURE COMPLIANCE TABLE

Service area objectives are outcome-based statements of specifically what will be accomplished within the budget year. A key outcome indicator should be identified that enables measurement of the extent to which an objective has been achieved. Of the 11-department/cost centers audited, nine cost centers had associated all of their service objectives with outcome indicators.

### Overview of Goals/Objectives at 11 Cost Centers Service Objectives Associated with Outcome Indicators

Number of Cost Centers Audited	Number of Service Objectives Identified	Number of Outcome Indicators	Percentage of Service Objectives Associated With Outcomes
11	40	36	90%

## Appendix 1

The 11-department/cost centers audited have diverse mission statements that encompass central services, public safety, health and welfare, public works, parks, and community development. The 11 entities are:

- Fire & Rescue/Operations Division
- Office of the Sheriff/Correctional Services
- Police Department/Field Operations
- Department of Family Services/Child Care
- Public Library/Library Operations
- Planning & Zoning/Zoning
- Tax Administration/Revenue Collections
- Utilities Planning & Design/Utilities Design
- Juvenile & Domestic Relations District Court/Residential Services
- Park Authority/Area Management
- Site Development Services/Plan Processing